

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

2002 - 2003 ANNUAL REPORT



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(408) 277-5299 (TTY).

A MESSAGE FROM THE MAYOR

This has been a tough year, yet one that also has seen the rewards of accomplishment. Despite the substantial financial challenges that we continue to face in San José as a result of the continuing recession in Silicon Valley and California, I'm very proud that we have successfully managed to keep our budget balanced and maintain the vital services our residents expect from City Hall.

In fact we have done more than just maintain. We have continued our progress to invest in our community's future. Voter-approved projects for better parks, libraries, and police and fire stations are underway that will strengthen our neighborhoods. We completed the beautiful new Martin Luther King Jr. Library – on time and under budget – through a unique partnership with San Jose State University that set the gold standard for urban libraries across the nation.

We're finally about to begin construction on long-awaited improvements for Mineta San José International Airport that will provide the level of comfort, convenience, and security that the residents and businesses of Silicon Valley deserve. And San José continues to be the safest big city in America as a result of our outstanding police and fire forces and our commitment to preparation and prevention.



Yet we do have serious challenges in front of us. Closing our budget gap this past year required countless adjustments and reductions, and we'll have to do it again with even more difficult decisions to make in the coming year. The State's response to its enormous fiscal crisis continues to threaten the ability of California's cities to deliver basic services and assist economic recovery. Too many people in our community have lost their jobs, and we must do all we can to help get our families back to work by making San José a city of opportunity for residents and employers.

I'm confident we can meet these challenges, although I also know it won't be easy. The dedication of our employees to serve our community with skill and professionalism is our core strength, especially in these difficult times. Our people work well in collaboration with our community to make San José a place that every resident is proud to call home. San José works best when we work together, and together we are ensuring that San José is indeed a great American city.

Ron Gonzales
Mayor

THE SAN JOSE CITY COUNCIL



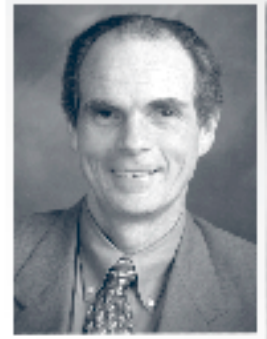
District 1
Linda J. LeZotte



District 2
Forrest Williams



District 3
Cindy Chavez



District 4
Chuck Reed



District 5
Nora Campos



District 6
Ken Yeager



District 7
Terry Gregory



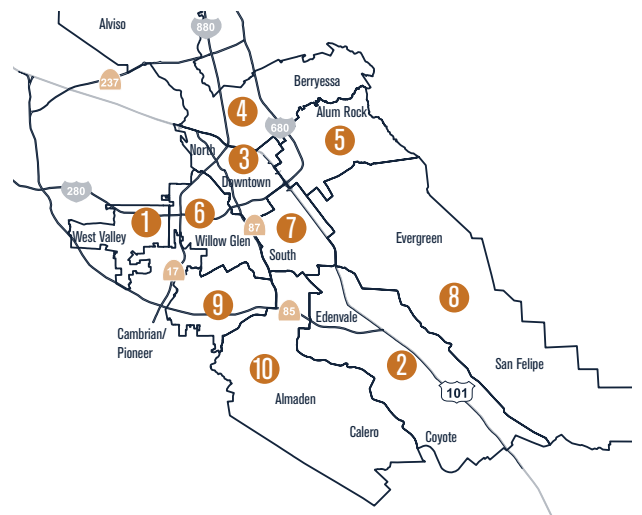
District 8
David D. Cortese



District 9
Judy Chirco



District 10
Pat Dando, Vice Mayor



A MESSAGE FROM THE CITY MANAGER



San José faced a financial challenge of historic proportions this past year. Yet despite these challenges, the City made great progress continuing to deliver on our organizational priorities as a full-service City. It is a testament to the foresight of our elected officials and to the professional, resilient nature of our City employees that, in the face of a \$92 million funding gap, we were able to balance our budget and avoid any significant services reductions.

Our neighborhoods continue to be a priority focus. Through the Strong Neighborhoods Initiative, neighborhood improvement plans are being implemented to enhance the quality of life for thousands of our residents. And thousands more residents are enjoying park improvements, new and renovated libraries, and community centers throughout the City, the result of our “Decade of Investment” capital improvement program.

At Mineta San José International Airport, roadway construction and improvements are positioning this key transportation hub to be one of the first airports in the nation with passenger terminals built to accommodate the travel and security needs of the 21st Century. Other citywide improvements are easing the flow of traffic and making our neighborhood streets safer.

Despite the current economic conditions, we recognize the importance of continued investment in the future. The new Martin Luther King, Jr. Library, a collaborative effort between the City and San Jose State University, opened this summer. The new library, the first in the nation to be jointly owned and operated by a city and a university, is an innovative approach that is already serving as a model for the world. And construction on a new City Hall for San José is moving forward and will open “on time and on budget” in 2005. These and other bond-funded constructions are helping to stimulate the local economy through the creation of jobs.

The City of San José organization is characterized by strategic thinking with an understanding of and commitment to the best practices in the delivery of public services. That commitment served us well through the past year and will continue to guide our proactive response to the challenges ahead. I am confident that we will overcome the current budget challenges and certain of our commitment to providing all residents with the essential core services they have come to rely upon in San José.

Del D. Borgsdorf
City Manager

THE NEW DR. MARTIN LUTHER KING, JR. LIBRARY

The historic new Dr. Martin Luther King, Jr. Library – an innovative collaboration between the City of San José and San José State University – opened in San José just after the close of the fiscal year in August 2003. It is the first library in the United States to integrate the services and collections of a major university and city and make them available to the entire community.

The Caret Atrium in the new Dr. Martin Luther King Jr. Library



Located on the corner of Fourth Street and San Fernando in downtown San José, the new Library is at the edge of the SJSU campus and an ideal location for the main branch of the City of San José Public Library system. The Library is 475,000 square feet spread over eight floors, plus a mezzanine and lower level. The integrated collections currently total 1.5 million, and the facility has the capacity to house a two million piece collection.

The innovative concept of marrying two institutions into one, fully-integrated library came as a result of a conversation in 1996 between then San José Mayor Susan Hammer and SJSU President Robert Caret who were exploring ways to close the gap between “town and gown.” At that time, the University was considering how to add space for a library that had outgrown its walls. Only a few blocks away, the main branch of the City Library was also struggling with a facility that was too small and outdated to handle information technology of the 21st century.

Like many other innovative ideas, it may seem like common sense in retrospect. But the idea of a library being jointly owned and operated by a city and a university was revolutionary, and not an easy task to accomplish. Mayor Ron Gonzales and Interim University President Joseph N. Crowley stepped in where their predecessors left off and saw the project through to completion. It took seven years to plan and build, and the massive \$177.5 million project came in on time and on budget. The project relied on the unprecedented cooperation, and cash and in-kind support of several public agencies, including \$86 million from the CSU system, \$70 million from the San Jose Redevelopment Agency, \$5 million from San Jose State University, and \$16.5 million from private donors.

April 2003 brought the construction phase of the King Library Project to a successful conclusion, marked by a brief ceremony transferring keys of ownership to City and University library staff. June witnessed the bittersweet closing of the old Main

Library preparatory to moving public library staff and collections to the new Library and continuing a process begun in May with the gradual consolidation of University library staff and collections. Over 150 staff on more than 100 teams worked on this amazing project, incorporating input from countless others, including community representatives.

The Dr. Martin Luther King, Jr. Library features distinctive and visually striking architecture by executive architects Carrier Johnson. Dual entrances from the City side and the campus side connect in a grand promenade through the ground floor level. A soaring seven-story atrium in the center of the building adds to the impressive, but comfortable, ambiance. A surprising special feature are the rainbows that appear on walls and walkways as sunlight hits the prism-like glass ceilings and windows at different times of the day. The executive architectural firm of Carrier Johnson were joined by design associate Gunnar Birkerts Architects, and Anderson Brulé Architects as the local associate architects. Hensel Phelps Construction Company was the General contractor, and Gilbane provided project management services.

In addition to the expected information and circulation desks, the ground floor of the new Library offers a computer lab, Children’s Room, café, bookstore, literacy center, and a browsing library of popular books, media, and recent university publications. The third floor features a teen center and the Dr. Martin Luther King, Jr. Civil Rights Collection. On the fifth floor are the special collections, including the Martha Heasley Cox Center for Steinbeck Studies, the Ira F. Brilliant Center for Beethoven Studies, SJSU Special Collections, and the California Room, which features resources on local and California history. The top three floors house the University’s extensive research collections, and feature the largest concentration of study and reading areas, including the impressive Grand Reading Room on the eighth floor that offers spectacular views of the City and SJSU campus.

RECOLECCIONES: THE MARTIN LUTHER KING JR. LIBRARY PUBLIC ART COLLECTION

“Recolecciones” is the Spanish word for “recollections” or “memories.” It also means “harvests” or “gatherings.” The Latin root “LECT” means both “to gather” and “to read.” Readers are thus gatherers and harvesters and the library is a place where people come together to recall and reformulate their common heritage, a place designed for “re-collection.” The Library’s public art collection is primarily designed to support this function.

The San José Public Art Program commissioned internationally renowned artist Mel Chin to create artwork for the new Martin Luther King Jr. Library. Mr. Chin collaborated with a team of scholars and artists to design the artworks, and solicited community consultation and participation to inspire the artwork concepts. Over a four-year period, hundreds of individuals participated in the design and fabrication of the “Recolecciones” artworks.

The 33 artworks installed throughout the Library are designed to pay homage to the book collections, as well as to provoke interest and curiosity, and encourage exploration and circulation throughout the Library. Integrated into the library in a variety of ways, the smaller, subtle pieces may require numerous visits to be discovered while other large, visible artworks are expected to become landmarks within the building. The “Recolecciones” artworks include functional installations such as chairs, tables and shelves, as well as wall paneling, sculptural ceilings, curious light projections, and more traditional formal sculpture. Some of the concepts are invested with a sense of humor, while others are designed to encourage thought. Among the artworks to look for are the following:

Canary Couch, a reading chair on the lower level upholstered in bright yellow, is reminiscent of Tweety Bird. The piece points to libraries as “mineshaft canaries,” cultural institutions whose health and vigor testifies to the well-being of the societies that support them.

True and Through is a column extending throughout the building, from lower level to eighth floor, clad in a veneer milled from a Dawn Redwood tree which had to be cut down to accommodate construction of the library.

Tectonic Tables are five functioning reading tables in the shape of the major continental plates, located adjacent to the geology section on the 8th floor. The granite on each table was quarried from the continent it recalls. The tables are on casters, referring to the tectonic activity of the earth’s surface, ever evident in California, and can be brought together or used separately.

Golden Gate, made from 88 golden carburetors, is a gateway to the King Library’s Special Collections area on the 5th floor. The construction of the gateway recalls the form of the Golden Gate Bridge and the auto parts reflect the car as a California cultural icon.



“Canary Couch”



Fourth Street and San Fernando entrance

By the Numbers:

- \$177.5 million project
- 1.5 million volumes
- 18 miles of shelving
- 11 Acres across 9 floors
- 60,000 cubic yards of dirt excavated
- 9,000 book stacks
- 8,000 square feet of skylights
- 5,000 tons of structural steel
- 400 computer workstations
- 33 pieces of public art

DEVELOPING AN ECONOMIC STRATEGY

For more than 40 years, San José has led the world in technology innovation, and our ability to turn ideas into industries has made Silicon Valley an important contributor to the national and world economies. But the City also faces aggressive competition from other innovation centers around the world. Today, San José is focused on the future and working on a new economic strategy to sustain our success.



San José McEnery Convention Center

WHY AN ECONOMIC STRATEGY?

The world is constantly changing, constantly introducing new economic challenges, new industries or new competitive threats. For San José to continue to be a great community, we need a strong, resilient economy, and city government can affect the economy in important ways. Local government adopts policies that shape the qualities of the community – a variety of quality neighborhoods, range of housing options, a vibrant downtown, outdoor recreation, safety, quality of the environment, and distinctive arts, culture and entertainment are all factors that make a city a viable place to attract, retain and develop talent.

The City also determines how land is used and facilities are developed. Clear land use policies, a timely and predictable permitting process, available land, and the ability to adapt to changing circumstances will enable businesses to establish themselves and thrive in a community. Accessible airports, civic facilities, good public transit, and dependable and cost-effective utilities are all elements that ensure business efficiency and investment.

Finally, local government can also support innovation and entrepreneurship by providing access to research and development, supporting business start-ups and expansion, adopting new technologies, and nurturing emerging industries.

The most important thing we can do for San José's overall fiscal health is ensure that we have a healthy economy—profitable companies, that provide good jobs for people and revenue that helps support City services. Having a “big picture” economic strategy will help the City shape policy and prioritize investments in a proactive manner.

PROCESS

In an effort to maintain a healthy local economy, the City of San José has drafted a thoughtful and comprehensive economic development strategy for the next five years. The Economic Development team led the effort, working closely with the San Jose Redevelopment Agency and the Department of Planning, Building and Code Enforcement, and released a draft strategy to the City Council in November 2003.

The plan is the result of extensive community input. Earlier this year, the City welcomed local businesses, entrepreneurs, and stakeholders to share their ideas about an economic strategy for San José. More than 240 representatives from a variety of industries, including the arts, industrial suppliers, retailers, technology employers, the development community, and Latino, Vietnamese, Chinese, Indian and Taiwanese entrepreneurs, gave the OED team valuable feedback that helped guide the strategy.

This effort to gather input was strengthened by the Mayor and City Council's five-day “Getting Families Back to Work” summit in August 2003, which heard 21 hours of public testimony. The comments, suggestions and ideas coming from the public meetings, along with input from economic experts and City leaders, were used to frame the formal economic strategy.

PRODUCT

The economic strategy will guide City policy, investments and partnerships during the next five years with a vision for how San José can revitalize and strengthen its local economy. The strategy outlines three main goals to achieve overall fiscal health in San José: build a prosperous economy, create jobs for residents, and generate City revenue.

The economic strategy identifies priorities for the City to focus on, and includes specific tactics for implementation as well as ways to evaluate our success. The strategy also establishes how the City and its partners (private, nonprofit, public sector) can work together to achieve our goals. It includes clarification of the community's goals and a realistic, fact-based assessment of San José's distinctive advantages and disadvantages or threats.

San José's economic strategy addresses such questions as:

- What are our goals for San José's economy?
- What are the desired outcomes for people, for companies, for government?
- What distinctive assets and advantages does San José have to build on?
- What challenges and concerns do we need to address?
- How can San José overcome competitive disadvantages?
- What unique role can San José play in the regional, national, and global economies?
- How will we differentiate San José from competitor communities, including other "technology regions"?
- What can the City do to help our local economy evolve?

EMERGING THEMES

Several emerging themes have already begun to take form as a result of San José's work on developing a formal economic strategy:

- Sustaining competitiveness through innovation and quality of life differentiates San José from other advanced regions.
- San José is unique in terms of its diversity, education of its residents, and creativity and innovation.
- San José is a key part of the Silicon Valley region; the City can serve as a leader and must collaborate regionally.
- San José/Silicon Valley must compete on a world stage—the City no longer has a monopoly as the world's center of innovation.
- "Creative destruction"—the constant birth, death, and re-birth of industries, companies, and jobs—is the norm in San José.
- The global business model is now extending beyond manufacturing to research and development; India and China are viewed as significant long-term competitors because of their concentration of technical talent and growing market size.

The City is already working on some of the issues we know will be key requirements for success, such as improving and expanding the Airport to make it internationally competitive, building affordable housing to attract and retain talent, developing and revitalize our downtown, streamlining the permit process to encourage corporate expansion and small business development, and continuing to build upon existing partnerships, such as the collaborative effort with San Jose State University to build and co-manage the innovative Martin Luther King, Jr. Library.



Mineta San José International Airport

Because many companies have a choice of where to locate, San José must provide advantages that outweigh the high-cost of doing business here. For example, the need for an efficient permit process was never better illustrated than when eBay, the eighth-fastest growing company in the world, was considering relocating its corporate headquarters outside of San José. The City would have lost a very significant employer had they decided to relocate their corporate headquarters away from San José. The City demonstrated its understanding of eBay's business needs, responding quickly to help them broker a deal for more space.

NEXT STEPS

Given our current economic challenges, having a clearly defined economic strategy is now more important than ever to San José's future success. A thoughtful, community-driven economic strategy plan will have far-reaching benefits for every resident and business in San José.

The City's economic strategy plan should be in place by the end of 2003, following formal adoption by the City Council, and will serve as a framework for decision-making for the City of San José. The City will translate the strategy into specific tactics in areas such as land use, permitting, promotion, new business incubation, small business support, infrastructure investment, service delivery, and downtown development.

City government alone cannot pull the economy out of recession, but city government—with its economic development partners in the community—can create an environment that maximizes the job growth that can occur here when the national/international economies start turning around.

CITY SERVICE AREAS





With a population of 925,000, San José is the 11th largest City in the United States, and residents here enjoy a vibrant urban experience within a natural setting of the foothills and San Francisco Bay. The City provides an array of services to residents to support a quality of life that is unsurpassed:

- The term “Capital of Silicon Valley” describes not only a City and geographic region, but a culture, an entrepreneurial energy, a spirit of innovation, and a symbol of opportunity and economic vitality.
- San José residents speak more than 46 languages, and our many neighborhoods are rich with cultural and ethnic diversity.
- Mindful of preserving the beauty of our natural environment, San José has the highest rate of recycling of any large city in the nation.
- San José continues to be rated one of the safest large cities in America.
- Norman Y. Mineta San José International Airport serves over 10 million passengers annually, with 13 major commercial carriers operating same plane service to 36 U.S. cities and international destinations.

AVIATION SERVICES

Aviation Services operates and develops Mineta San José International Airport. Aviation Services strives to operate a user friendly, safe and secure facility, providing quality customer amenities and infrastructure to support global air service.



Mineta San José International Airport

AIRPORT SECURITY AND TRAFFIC RELIEF ACT

March 2003 marked a significant milestone at Mineta San José International Airport when San José voters passed Measure A, the Airport Security and Traffic Relief Act (ASTRA). Under ASTRA, security and terminal improvements can proceed, provided transportation access projects are within three years of completion. A new North Concourse, to be located between Terminal C and the International Arrivals Facility, is already in the planning stages. The North Concourse will be the permanent location for in-line, automated explosive detection systems for baggage screening, and gate hold rooms. The City is committed to building an airport that improves customer service and provides a permanent solution for federally mandated security directives, while improving access to the airport.

In October 2002, the Transportation Security Administration (TSA) deployed federal passenger screeners to the checkpoints in Terminals A and C. This signaled the transition from private security companies managed by the airlines to the federal government. The Airport complied with the federally mandated security process requiring all checked baggage to be electronically screened for explosives by December 31, 2002. Baggage screening equipment is housed in temporary structures behind Terminals A and C, and does not affect the normal check-in process. The Police-Airport Division also conducted training for the TSA in the identification of illegal weapons. Prohibited items are now collected and held by the TSA. Mineta San José International Airport also employs two canine teams to sniff out explosives.

“The City is committed to building an airport that improves customer service and provides a permanent solution for federally mandated security directives, while improving access to the airport.”

AIRPORT ACCESS

Getting to and from Mineta San José International Airport improved significantly in 2002-2003. A new one-way traffic loop eased the flow of traffic around the terminal and parking areas. Stoplights that created bottlenecks were eliminated and ground transportation was consolidated into the Terminal A Ground Transportation Center, relieving congestion from vans and buses in front of the terminal.

The \$11 million Skyport Drive/Airport Boulevard Interchange Project is underway, consisting of a three-lane, below ground-level roadway on Airport Boulevard at Skyport Drive. Completion of this project is expected for March 2004.

Improvements to the Interstate 880/Coleman Avenue Interchange passed some significant milestones. A coordinated effort of the City, Caltrans, and the Valley Transportation Authority (VTA), the project consists of a new, widened Coleman Avenue bridge, reconstructed interchange ramps and intersections, and a new exit from Airport Boulevard directly onto southbound Route 880. VTA has received approval for bond financing, and relocation of utilities will be done by Fall 2003. The construction contract for the project is scheduled to be awarded in December 2003.

AIR SERVICE

Two new low fare airlines began serving San José in 2002-2003, adding to the Airport's diverse carrier base. In October 2002, Frontier Airlines started daily jet service to Denver and ATA began service to Chicago's Midway (MDW) Airport. ATA's network is extensive in the Midwest and on the East Coast. In addition, Baltimore/Washington International Airport remained one of the City's top unserved markets until Southwest Airlines filled the gap by inaugurating first ever nonstop service to Baltimore/Washington International Airport in January 2003.

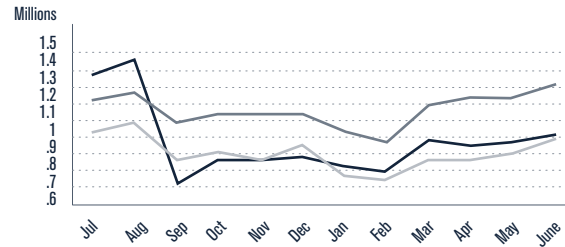
EMERGENCY PREPAREDNESS

In March 2003, Mineta San José International Airport held a full-scale emergency exercise, in accordance with Federal Aviation Administration (FAA) regulations. The exercise tested the Airport's response capability to a simulated air carrier accident. City departments, including the Airport, Fire, Police, and Emergency Services, were joined by the American Red Cross, AMR Ambulance, Stanford Life Flight, O'Connor Hospital, Santa Clara County Public Health Department, and Airport Chaplains for the exercise. Local media also provided extensive television, radio and print coverage of the event. The FAA requires all U.S. airports to conduct a full-scale emergency exercise every three years. The Airport also holds periodic tabletop exercises to review responsibilities under the Airport Emergency Plan.

BEING A GOOD NEIGHBOR

Mineta San José International Airport is committed to being a good neighbor in the community, and its ongoing program to provide sound treatment for homes and schools impacted by Airport operations is a key component of that effort. Through the Acoustical Treatment Program, the Airport invested more than \$2 million for acoustical upgrades to Sacred Heart Nativity School and Washington

Norman Y. Mineta San José International Airport Monthly Passengers



Elementary School in Summer 2002. These schools received new windows and doors, air-conditioning, and full sound insulation. Additionally, a new community field office opened at the Sacred Heart Nativity School in May 2003. The office provides neighbors with information on acoustical treatment services, as well as displays and window samples for the community to see and touch. The Airport added 20 compressed natural gas (CNG) buses to its fleet in March 2003, providing environmentally friendly shuttle service to and from the long-term parking lot. The new buses produce significantly less particle emissions than older diesel buses. The Airport also opened a CNG fueling station in August 2003, a state of the art facility to service Airport vehicles, taxis, door-to-door shuttles and personal automobile owners. Mineta San José International is the only airport in the Bay Area to own a CNG station.

CUSTOMER SERVICE

Quality customer service in the terminals remains a top priority at Mineta San José International Airport, but also a challenge with federal security requirements. In an effort to improve customer service, a security checkpoint and additional amenities were added to the west checkpoint at Terminal C, serving Gates C9 – C11. An additional checkpoint lane was added so that more passengers can be processed through security simultaneously. The Airport also contracted Aviation Safeguards to assist the TSA and the airlines in the terminals during peak travel periods to direct passengers to the correct lines, helping keep lines organized and moving.

In 2002-03, the Airport also launched a new and improved web site—www.sjc.org. A new navigation structure, search engine and site index provides online visitors with resources such as AirportMonitor, which shows the movement of flights and air traffic patterns in the greater San José area. The new site also provides users with information on airport community programs, and terminal and access improvement programs.



the CNG fueling station

ECONOMIC AND NEIGHBORHOOD DEVELOPMENT

San José is the largest city in Silicon Valley and the world's most important region of innovation and technology. Economic & Neighborhood Development manages the growth and change of the City of San José in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.



eBay corporate headquarters

ECONOMIC DEVELOPMENT STRATEGY

In this time of national economic uncertainty, strengthening our own local economy and planning well for the future is paramount to our ability to continue providing services to the community. One major key to success will be our ability to attract and retain businesses in San José. The City's Office of Economic Development, in collaboration with the San Jose Redevelopment Agency (SJRA) and the Department of Planning, Building and Code Enforcement, is working to revise and formalize a long-term economic strategy for the City of San José (see feature, page 8). This economic strategy will help guide City policy, investments and partnerships during the next five years with a single goal – doing all that we can to revitalize and strengthen San José's local economy.

CORPORATE DEVELOPMENT

The City of San José recognizes the importance of maintaining strong relationships with the corporate community. After months of concern that one of the world's most profitable Internet company would move its headquarters out of San José, eBay chose to stay. The company's decision hinged largely on the City's successful effort to show eBay that San José is a viable place to conduct and expand a profitable Internet business. "Born" in San José in 1995, eBay now employs some 1,500 people here and its expansion plans could create several thousand new local jobs.

A DECADE OF INVESTMENT

Despite the lagging economy, virtually every San José neighborhood saw new or improved community facilities during the past year. Referred to as the Decade of Investment, the City's \$1.8 billion Capital Improvement Program represents a 67% increase over last year's budget. Last year, the City began construction on 155 projects and completed another 200 projects – more than double the number of

projects from that of two years ago. Much of the funding for these projects comes as a result of the confidence shown by residents with their approval of three separate bond measures in recent years, totaling \$599 million for parks, library and public safety improvements. And in March 2003, San José voters passed Measure A, the Airport Security and Traffic Relief Act (ASTRA), which cleared the way for work on security improvements and terminal improvements as airport traffic relief projects are being completed.

STRONG NEIGHBORHOODS INITIATIVE

The Strong Neighborhoods Initiative (SNI) saw great progress along with significant fiscal challenges during 2002-2003. The program, which combines the resources of the City, the San Jose Redevelopment Agency, and the community, is working in 20 neighborhoods throughout San José to build clean, safe, and attractive environments supported by independent and capable neighborhood organizations. Despite the delays caused by the State budget shortfall and a reduction in the assessed property values that support Redevelopment funding for projects, conceptual design and cost estimates were developed for nearly 200 improvement projects in the 20 neighborhoods.

For example, Exterior Home Improvement Grants for exterior residential rehabilitation were approved in August 2002, and more than 600 residents applied for grants in the first six months of this new program. The Housing Department awarded \$1.95 million in 85 SNI Exterior Home Improvement Grants for painting, roofing, fencing, walkways, driveways, and landscaping improvements. The City and SJRA will continue to nurture the organizational development and leadership capacity of San José residents to achieve their neighborhood improvement priorities through grants and community contributions.

HOUSING

At the start of the fiscal year, the City Council approved a new "Five-Year Housing Investment Plan" that would finance 6,000 new affordable housing units and 2,000 acquisition/rehabilitated units by 2007. By the end of the year, affordable housing had increased by 1,545 units, putting the City easily on track to meet the five-year goal.



Legacy Housing at Museum Park

the League of California Cities' "2003 Helen Putnam Award for Excellence," recognizing outstanding achievement and innovation in housing programs.

NEW CIVIC CENTER

Construction on the new \$343 million Civic Center in downtown San José got underway this past year and is now visibly rising in the sky over the new home for the San José City Hall complex on Santa Clara between Fourth and Sixth streets. Construction began in August 2002; pile driving began in January 2003 and took approximately 6 months, with a total of 1675 piles driven across the property. Designed by Architect Richard Meier & Partners, with construction managed by the Turner / Devcon joint venture, the new Civic Center complex is 535,000 square feet of office and public space that will include an 18-story tower, Council Chamber, domed rotunda, plaza, and underground parking. The new City Hall will provide a work environment that will improve the quality of public service, enhance the efficiency and effectiveness of City operations, and support long-term downtown development goals. Built with state-of-the-art technology and sustainable design principles, the new Civic Center will reflect the vitality, diversity and creativity of the City of San José and provide residents with a City landmark and a sense of community pride. The new City Hall is scheduled to open in 2005.

Late in the year, the City was awarded the League of California Cities' "2003 Helen Putnam Award for Excellence," recognizing outstanding achievement and innovation in housing programs.

SAN JOSE REDEVELOPMENT AGENCY

Despite budget constraints, the San Jose Redevelopment Agency continues to play a vital role in improving our community. The Agency invested more than \$70 million in affordable housing programs during the year, including live/work lofts in the renovated historic Twohy building, rental housing in the Legacy at Museum Park, and the Century Center developments. In addition, Horace Mann Elementary School, a \$30 million partnership between the San Jose Redevelopment Agency and San José Unified School District, was the first new school building to be brought to downtown in more than thirty years. Opening in time for the start of the September 2003 school year, Horace Mann Elementary has increased its capacity from 300 to 750 students.

In 2002, the Agency Board approved the mixed-use CIM development project. This project is a comprehensive plan tailored specifically for downtown San José and will offer the community more housing, retail, parking, and entertainment choices. The SJRA will invest approximately \$37 million in the \$185 million project with remaining funding from private investment. The first phase will feature ground-level stores and restaurants, 38 condominiums, and 32 apartments on the 40,000 square foot parking lot on Santa Clara between Second and Third Streets. The second phase will include a residential tower on the parking lot north of the San Jose Repertory Theatre between Second and Third Streets. Construction is scheduled to begin in early 2004.

SANTANA ROW

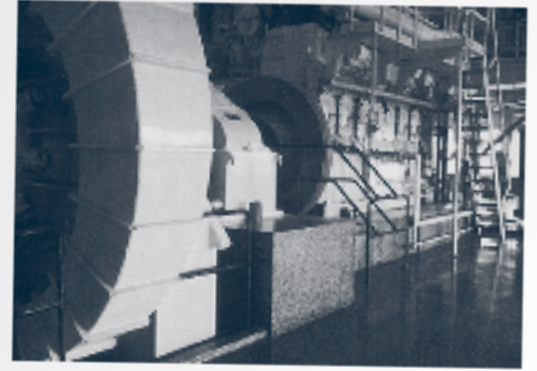
Despite a devastating fire, Santana Row was able to open in November 2002. The initial opening represented the first of several phases of the 23-acre mixed-use project that will include up to 1,200 housing units and approximately 700,000 square feet of retail space when complete. The European-themed streets and numerous restaurants have drawn large crowds of shoppers and pedestrians from throughout the region, including shoppers crossing Stevens Creek Boulevard from the Valley Fair mall complex.



Santana Row

ENVIRONMENTAL & UTILITY SERVICES

Reliable and efficient utility services, coupled with environmental leadership, contribute to a strong economy and a sustainable community. Environmental & Utility Services preserves the City's utility infrastructure, manages and protects healthy streams, rivers, marshlands, provides a safe, reliable and sufficient water supply, and promotes "clean and green" air, land and energy.



San José/Santa Clara Water Pollution Control Plant

RECYCLE PLUS TRANSITION

In July 2002, the City implemented a successful transition to a Citywide single-stream recycling collection program, meaning that residents no longer have to sort their materials into separate containers. The transition, which also included contracting with three new service providers for residential garbage and recycling collection, yard trimmings collection and street sweeping, was supported by a comprehensive education and outreach program to inform residents of the new services and collection days. Design of a new, updated residential recycling guide was a key component of the education program. During the initial start up phase, each single family home was provided a new recycling cart and a start up package containing a program brochure describing how the new service works.

Educational activity kits were also developed to educate children about specific changes in San José's recycling. Packets were distributed in Fall 2002 to 1,638 teachers at 174 schools, potentially reaching 23,000 Grade 4-6 students in San José. ESD representatives presented the education kits at two Resource Area for Teachers Training (RAFT) workshops in October 2002 and March 2003 to educate teachers about the recycling program and educational materials available for use in the classroom. By the end of the first year, customer survey data indicates an overall program satisfaction rating of 90%.

64% SOLID WASTE DIVERSION RATE

In June 2003, the City Council received a certificate from the California Integrated Waste Management Board recognizing the City of San José for diverting almost two-thirds of its solid waste from local landfills through recycling and composting programs as of the year 2000. This is the highest rate achieved by any large city in the nation and surpasses the State's mandate that all California cities and counties divert at least 50% from landfills by the year 2000.

City of San José is credited for diverting almost two-thirds of its solid waste from local landfills through recycling and composting programs as of the year 2000.

Several effective City programs over the last 10-15 years have helped increased residential waste diversion, including the original residential curbside recycling program in 1987, collection and recycling of yard trimming in 1991, financial incentives and curbside collection of additional categories of recyclables in 1993, emphasis on recycling at apartments and condominiums in the mid-90's, and most notably, the new curbside collection system introduced this year that eliminated the need for presorting of household recyclables. The City has also worked extensively to promote recycling in the commercial sector, which generates about 75% of San José's waste. Since 1990, these efforts have focused on large employers, multi-tenant office building, and the recycling of construction and demolition debris. All these effort have contributed to making San José a leader in environmental conservation.

SOUTH BAY WATER RECYCLING

In January 2002, the City Council and the Santa Clara Water District Board forged a long-term partnership to work jointly on future development of the recycled water system. The collaborative effort expands the geographic area that can use recycled water for nonpotable uses such as turf irrigation and some industrial processes. As a result, the South Bay will be better positioned to have the water it needs for the future, as imported supplies will be augmented with increasing quantities of recycled water. Also, it will enable the area to continue meeting the State's "trigger" for how much wastewater can be discharged into the salt marshes at the bottom of San Francisco Bay from the San José/Santa Clara Water Pollution Control Plant. The State determined in 1989 that too much fresh water discharge from the Plant could potentially convert

salt marshes to fresh water marshes, thus destroying wildlife habitat for the endangered salt marsh harvest mouse and the California clapper rail, an endangered species of bird. The next steps in the partnership will be to complete water quality studies, define future recycled water plans, and identify facilities. The District is also partnering with the City to study treatment technologies for desalination of recycled water. The study, initiated by a grant from the United States Bureau of Reclamation, will examine alternative treatment processes with respect to efficiency, reliability, effectiveness and cost.

In May 2003, Santa Clara University became the 400th customer to receive recycled water through South Bay Water Recycling. Other significant San José water users connected to the system during this year include the Los Esteros Critical Energy Facility and the North Park development. Despite cooler than average summer temperatures, demand for recycled water in the area served by the current system (San José, Santa Clara and Milpitas) averaged 10.2 million gallons per day (mgd) during the month of June, an increase of nearly 10% over the previous year.

In Spring 2003, construction began on the Silver Creek pipeline, a 30-inch diameter transmission line that will bring five million gallons of recycled water per day to the Metcalf Energy Center in Coyote Valley. The cost of the \$26 million pipeline to the tributary agencies is shared by the City, Calpine Corporation and the Santa Clara Valley Water District, and has been offset by a grant from the State Water Resources Control Board.

CARGILL SALT POND

In May 2003, the City Council approved the \$13.5 million purchase from Cargill, Inc. of approximately 856 acres of land that has been used for salt production for several generations. Known as "Pond A 18," it was the last parcel of land available for sale in the South Bay that was also potentially suitable for restoration to natural salt marsh. An added benefit is that it is immediately adjacent to the City's wastewater treatment plant, making it easier to manage and use over the long term. It is also adjacent to the Don Edwards National Wildlife Refuge and other salt ponds that have been recently acquired by the Federal government that will be restored to salt marsh. The purchase price will be held in escrow until Cargill demonstrates that a system of new structures built to control Bay flows into and out of the pond are in working order and that any other required improvements are completed.

GREEN BUILDING AND ENERGY CONSERVATION

San José is a leader on environmental issues, and the City's Green Building Program is an important example. The program gained momentum by training City employees to apply "green" (environmentally friendly) building practices to City projects. The United States Green Building Council has established a professional accreditation program called LEED (Leadership in Energy and Environmental Design), and in the past year, five City employees have become LEED Accredited Professionals.

In April 2003, the City Council adopted a comprehensive Energy Policy and Action Plan that values energy conservation, energy reliability, reasonable and predictable energy costs, and the creation of clean local energy sources. The City will do its part to reduce global warming and dependence on fossil fuels by again setting a 12% goal for reducing energy consumption in FY 2003-04. Efforts will include purchasing energy efficient products as part of the City's Environmentally Preferable Purchasing Policy, exploring opportunities for community choice and community aggregation of energy purchases as outlined in AB 117 and signed by the Governor, and potentially providing incentives to locate manufacturers of renewable energy sources within city limits.

The City of San José is an active member of the Bay Area Solar Consortium, and played a key role in helping the Consortium reach its goal to install 5,000 solar systems around the Bay Area by the year 2010 – a goal that was reached seven years early in 2003! In June 2003, the City and other local Consortium members were recognized by the United States Department of Energy as the first partnership in the nationwide Million Solar Roofs Initiative to achieve their installation goal.

ENERGY COST REDUCTION

Methane gas from Newby Island Landfill will now be used to provide 20% of the fuel needed to operate generators at the San José/Santa Clara Water Pollution Control Plant. This will improve local air quality because the methane will be used productively rather than being "flared off" (burned in the atmosphere) through large pipes. Methane gas is 25% less expensive than natural gas, which translates to an estimated annual savings of \$250,000. Through this and other innovations, the Plant accounts for almost three-fourths of the energy savings the City has achieved in the last year (the Plant is also one of the City's largest energy users, serving a large portion of the South Bay).



"NOTCH" PROJECT

In Fall 2002, the Environmental Services Department initiated a plan to fill the empty "notch" between two parcels at the former Story Road Landfill with soil from the excavation of the new Civic Center downtown. When the landfill closed 34 years ago, environmental protections were put in place and continual monitoring shows the site is safe for light commercial, industrial or recreational development. The project saved the Civic Center project approximately \$325,000 by providing a nearby site for transport of the excavated soil. The total area now available for future development at the former landfill will be approximately 15 acres of continuous property, which increases the resale value of the site by several million dollars.

PUBLIC SAFETY

Public Safety focuses on the crime, fire, emergency medical, hazardous and disaster related needs of the San José community. Public Safety strives to ensure safety, whether it is from everyday situations, emergency disasters or terrorist threats. Well-trained and well-equipped personnel to provide these essential services are key to maintaining the national acclaim that San José is one of the “safest large cities in the nation.”

POLICE AND FIRE DEPARTMENT ACTIVITIES

Because of San José's long-standing reputation as the safest big city in America, our residents know and expect our Police Officers to respond quickly to any emergency call. What many may not realize is that these same officers also spend about 40% of their time in the community—attending neighborhood meetings and events, school presentations, and “meeting the neighbors.” Three new community policing centers that opened during FY 2002-03 in various parts of the City will give residents more access to the Police Department and help establish community partnerships.

San José remains the Safest Big City in America, according to FBI crime statistics

In August 2002, the largest fire in San José's history consumed a seven-acre building under construction at Santana Row, a new upscale shopping area on Stevens Creek Boulevard. Sparks from the fire also destroyed several nearby apartment complexes in the Moorpark Gardens neighborhood. While the loss of property was significant, there were no deaths or injuries and the Fire Department successfully prevented a far worse fire. Following the fires, fire and building codes for large wooden frame construction were revised, and the Fire Department made significant improvements to policies and operations to enable them to respond even more effectively to large fires.

During tight economic times, alternative sources of funding for public safety become more important than ever. The Fire Department has been successful in obtaining grants for protective equipment, weapons of mass destruction response kits and training, and Federal Emergency Management Agency funding for urban search and rescue equipment, while the Police Department received additional funding for new police equipment, specialized training, and technology improvements.



SJFD battles the Santana Row fires

OFFICE OF THE INDEPENDENT POLICE AUDITOR

Another key component of the City's high-quality delivery of public safety services is the Office of the Independent Police Auditor (IPA). An independent organization overseeing the SJPD disciplinary process and reporting directly to the Mayor and City Council, the IPA provides an impartial forum for residents to file complaints against the SJPD. The IPA also promotes public awareness of the right to file a complaint, and reviews the investigations of complaints to ensure investigations are complete, thorough, objective, and fair.

In FY 2002-03, complaints against San José police officers declined for the third straight year. A 2002 IPA study of the SJPD's “Early Warning System” revealed that, for officers receiving citizen complaints, counseling has a positive impact on the police work of those officers. The IPA also published the “Student's Guide to Police Practices,” their first ever youth guidebook teaching young residents how to interact with police officers in a productive manner. The student guides are available in English, Spanish and Vietnamese, as well as an interactive CD format. The Office is currently reviewing the July 2003 shooting of Bich Cau Thi Tran, as it does with any office-involved shooting in San José.

EMERGENCY PREPAREDNESS

San José Prepared, the City's volunteer emergency preparedness program, added a terrorism section to its curriculum in this year. Twelve hundred active members completed the training this year, with 45% of these participants coming from SNI neighborhoods.

In November 2002, the Office of Emergency Services conducted "Code Red" emergency response exercises with the SJPD, SJFD, and Eastside Unified School District. Over 1700 high school students participated in a role-play scenario of an active shooter inside Mount Pleasant High School. This was the largest ever full-scale exercise for the City's Metropolitan Medical Task Force.



East side Unified School District "Code Red" exercises

Thankfully, San José has never experienced an "off airport" plane crash involving a flight bound for Mineta San José International Airport, but being prepared is clearly important. During this past year, the Office of Emergency Services and Airport developed an emergency operation plan that outlines how to coordinate a City, State and federal response to a crash off the airport property. Airport staff, with assistance from the American Red Cross, held three tabletop exercises to train San José's Police Department, Fire Department, Office of Emergency Services and Airport first responders on the new plan. The exercises clarified the roles of supervisory staff, the roles of other City departments, and those of outside agencies in the event of an accident.

PUBLIC SAFETY BOND PROJECTS

The Neighborhood Security Act Bond Measure, passed by San José voters in March 2002, increased funding for capital projects to improve response times to emergency incidents, improve public access to services, and improve working conditions for public safety employees. This year, the Police, Fire and Public Works Departments began plans for a new driver training facility to conduct driver safety training courses. Site selection is underway for the facility, and environmental impact reports, geotechnical and preliminary design work will begin next year.

GANG PREVENTION

The Mayor's Gang Prevention Task Force—comprised of representatives from local government, law enforcement, school districts, social service agencies, and community groups—develops coordinated programs to prevent, intervene, and suppress gang activity and crime among young people in San José. Since 1995, gang-related arrests in San José have gone down by 47 percent. In 2002, the Mayor's Gang Prevention Task Force was honored with the National Gang Crime Research Center's "Frederick Milton Thrasher Award" for exemplary gang prevention and intervention. The national award honors outstanding contributions in leadership, research, and service in addressing gang problems in America. By focusing on collaborative crime prevention and providing positive alternatives for youth, the City of San José is a national model of success in keeping young people on the right track and the residents of San José safe.



Deputy Police Chief Dave Delgado

RECREATION & CULTURAL SERVICES

Recreation & Cultural Services provides services and programs to individuals, families, groups, and their neighborhoods that make San José a desirable place to live. To residents, this means their neighborhoods are clean and safe, and they and their families can enjoy nearby parks, community centers, libraries and a diverse range of recreational, arts and cultural opportunities.



Fair Swim Center

TRAILS PROJECTS

San José is blessed with a series of creek and stream throughout our urban environment that provide natural settings for our residents to enjoy. During this past year, great progress was made on building a trail system along many of the valley's rivers and streams. Partnering with the Santa Clara Valley Water District, the City began construction on a one-mile segment along the Guadalupe River, from Chynoweth Avenue to Blossom Hill Road. And there are plans to extend the Coyote Creek trail from Tully Road to Highway 101, and the trail along the Guadalupe River from Woz Way to Willow Street. The Guadalupe River and Coyote Creek both travel through downtown and will offer a relaxing off-street commute alternative.

The City and Water District are also planning a 6-mile trail from I-880 to Alviso along the Guadalupe River. The Water District's Guadalupe River flood control improvements will be completed in December 2004, and public access should follow shortly thereafter. Ultimately, a paved trail will permit a new commute alternative in the north San José area, linking industry to the Airport and beyond to Downtown.

ANIMAL CARE AND SERVICES

The City of San José's Animal Care & Services Division licenses pets and picks up stray and injured animals, a service it took over from the Humane Society Silicon Valley in 2001. The City is completing work on a brand new, state-of-the-art animal shelter, scheduled to open soon to the public. Located on Monterey Road, the new 50,000-square-foot facility will be one of the largest animal shelters under one roof in America, housing more than 20,000 animals per year. The state of the art design and "store front" adoptions area is designed to attract animal lovers, and the new shelter will feature its own veterinary hospital, dog-training site and education center. Programming for the facility will include behavior training, education classes, volunteer programs and a low cost spay and neuter clinic.

FAIR SWIM CENTER

While the Fair Swim Center dedication ceremony in December 2002 was marked with Councilmember George Shirakawa's back-flip into the pool, the official grand opening of the facility was actually on a 90 degree day in June of 2003. Sitting on three acres of property in the Santee neighborhood, pool amenities at the Center include a family pool with a water slide, a toddler pool, and a 25-yard lap swim pool with a deep-end diving board. In addition, the facility offers a pool building with locker rooms, offices, reception area, and concession area, as well as a picnic area, playground, and a small turf area for informal and passive recreation. The Fair Swim Center is open year round, and offers recreational swim, swim lessons for all skill levels, and facility rentals to private groups.

VOLUNTEER SAN JOSÉ

Volunteers enhance and augment the City's ability to provide quality services to the community by participating in a variety of City programs and activities. In return, volunteers receive an opportunity to increase their skills and knowledge, while becoming better prepared to participate in government and to influence decisions affecting their community. The City's volunteer program, formalized in 2003, makes use of Countywide resources such as the Volunteer Center, United Way Silicon Valley, and other agencies, but some components of the program are uniquely designed to address the special needs of San José. The program is being piloted through the Department of Parks, Recreation and Neighborhood Services, as approximately 80% of the City's volunteers work with programs in this department.

NEIGHBORHOOD PARKS

The City of San José strives to provide and maintain open spaces and neighborhood parks to make our communities more livable. Our city parks serve as the foundation for residents to play, learn and socialize. Last year, San José completed 38 neighborhood park projects throughout the City, including upgrades to tot lots, youth lots, play areas and restrooms. Funded by a voter-approved bond measure in 2000, the City was able to renovate existing parks so that people with disabilities could use them and improving playground safety features. Enhancements to Martin Park in the McKinley neighborhood and Hogue Park in the Cambrian area are a few of the highlights of the City's recent parks projects. The tot and youth playground at Martin Park were renovated, with the new water feature especially well-received. Improvements at Hogue Park included expanded play areas, addition of a youth/tot lot, renovated restrooms, enhanced landscaping, and a remodeled patio at the Community Center.

LIBRARIES

During the past year, design or construction of eight branch library remodeling projects got underway, while planning for three more was initiated. Community input is sought throughout the design and construction processes for these projects. The New Martin Luther King, Jr. Library, the first of its kind in the nation, opened in August, 2003 (see feature story, page 6). The new West Valley Branch celebrated its grand opening on May 10, and the new Vineland (Blossom Hill) Branch is under construction and will be completed by the end of 2003. Construction also began on the Berryessa Branch and the Tully Road Branch in March and June of 2003, respectively. By next year, the City expects construction to be well underway on branch libraries in several more neighborhoods, including Rosegarden, Alum Rock, Evergreen, and Almaden.

ANTI GRAFFITI AND LITTER PROGRAM

One of the Mayor's highest priorities, the Anti-Graffiti and Litter Program is one of San José's great success stories. Based on an annual graffiti survey, there were less than 4,000 tags visible on San José streets in January 2003, compared with more than 71,000 tags when the project started in January 1999. Boasting a 95% reduction in graffiti over the last four years, the City of San José is fast becoming a national and international model for its anti-graffiti efforts. Much of the credit for this outstanding result goes to the 2,642 "Adopt-A-Block" anti-graffiti volunteers who dedicate their own time and labor to make sure their neighborhoods remain clear of graffiti.

Building on the success of the Anti-Graffiti program, the Anti-Litter Program was established in January 2002. "Pick Up San José" is a coordinated anti-litter effort to reduce litter through education, enforcement, and volunteerism. Collaborating with other public and private agencies and 1,300 volunteers, the program has collected close to two million bags of trash since its inception. Lined up, these bags would stretch from San José to Kansas. This year, volunteers picked up 8,550 bags

of litter. The City and volunteers were recognized with a letter of recognition from the White House for their efforts to make San José and its neighborhoods some of the cleanest in the nation.

CHILDCARE & SCHOOL READINESS

Smart Start San José is the Mayor and City Council's Early Care and Education Initiative that improves the quality of early childhood experiences for young children and their families. The initiative, administered by the Parks, Recreation and Neighborhood Services Department's Office on Early Care and Education Services, has resulted in the creation of 225 new quality early care & education spaces within the past year at Overfelt High School, Evergreen Valley High School and Kay's Quality Daycare Center. Thirteen new family childcare home businesses were also opened. Smart Start San José was awarded Senator Barbara Boxer's "Excellence in Education Award 2002," given to programs in recognition of their significant contributions to education.



Monopoly in the Park

MONOPOLY IN THE PARK

A 930 square-foot exact replica of the game Monopoly opened in downtown San José in July 2002. San José developed the 3/4 - acre Monopoly in the Park theme garden to showcase the giant centerpiece granite Monopoly board. The largest and only permanent outdoor Monopoly board in the world, Monopoly in the Park is a unique attraction in downtown San José, created with exclusive permission from Parker Brothers. Park visitors can enjoy the large life-size pieces as sculpture, play informal Monopoly games, or have organized gatherings. Large groups can reserve the giant board and game pieces for organized events – participants play with jumbo dice, don gigantic token-shaped hats, and occasionally even wear jailhouse garb.



*the Mayors
Anti-Graffiti Program*

TRANSPORTATION SERVICES

Transportation Services provides a safe and efficient transportation system for the City of San José. Transportation Services is dedicated to improving the entire transportation system, including freeways, transit, arterial streets, neighborhood streets, bicycle facilities, sidewalks, and parking.



Light Rail tunnel at Diridon Station

LIGHT RAIL EXPANSION

The Light Rail expansion program along Capitol Avenue and in the Vasona Corridor has met significant milestones over the last fiscal year. In partnership with the VTA, the City has completed projects in San José totaling approximately \$190 million, including the Light Rail tunnel at the Diridon Station and significant civil improvements along Capitol Avenue. With the completion of the nine-mile expansion of light rail along the Capitol Avenue and Vasona Corridors planned for mid-2004 and early 2006, respectively, the City is focusing on the completion of landscape and aesthetic enhancements, as well as traffic signal and roadway improvements.

AIRPORT ACCESS

With the April 2003 approval of the Final Environmental Assessment of the Hwy 880/Coleman Interchange Improvement Project, the City, along with VTA and Caltrans, has quickly moved to complete the design of this project intended to address operational and safety enhancements, as well as improve access to and from the Mineta San José International Airport. Utility relocation work efforts, initiated in April 2003, involved moving gas, electric, phone, cable and communication lines. Major construction activities, planned for award in fall 2003, include the replacement of the Coleman Bridge, widening of Coleman, and upgrading the freeway interchange ramps. Completion of the project is scheduled for July 2006.

The Route 87 Freeway Project (from Julian Street to Hwy 101) continues to advance on or ahead of schedule, with particular emphasis on opening the mainline portion of the freeway by December 2003.

All major design work has been completed, and all but one segment – the Hwy 101 Auxiliary Road – is under construction. The City and Caltrans continue outreach to adjacent neighborhoods and continue coordination of adjacent roadway improvements, including access to Mineta San José International Airport.

TRAFFIC CALMING

Traffic Calming continues to be a high priority for the City and the community. During 2002-03, speeding was actively enforced on more than 150 neighborhood streets through the Neighborhood Automated Speed Compliance Program (photo radar). In addition, the Street Smarts traffic safety education campaign was launched to positively change motorist and pedestrian behavior. The program focuses on improving motorist, pedestrian and bicyclist behavior in neighborhoods and near schools. The Street Smarts campaign will continue through 2003-04 and will be a focal point of the Traffic Calming program in the coming year.

The Street Smarts traffic safety education campaign was launched to positively change motorist and pedestrian behavior.

As additional traffic calming measures, two traffic circles were completed this year, with an additional six projects scheduled for permanent placement in 2003-04. Features installed as part of a comprehensive program to slow vehicles may include circles, chokers (roadway narrowing device), small median islands, or a corner bulb-out. Many of these roadway features will be landscaped as an added benefit to the neighborhood streetscape.

Also, the School Access Enhancement Study identifies street, sidewalk and school site improvements that will improve the safety of pedestrians, bicyclists, and motorists in school area vicinities. The first phase of this study was completed at 42 elementary and middle schools. Recommendations for this study focus on education, engineering and enforcement measures. Signage, striping modifications, and installation of missing ADA curb ramps will also be completed. Long-term capital improvements including the installation of new sidewalks will be completed as funding becomes available. The city continues to work with San José school districts on recommendations and implementation of short-term and long-term improvements for school sites.

The 101 Widening Project has relieved one of the worst traffic bottlenecks in the region



Route 87 Freeway Project, at Hedding Street

HIGHWAY PROJECTS

The completion of the 101 Widening Project and the Route 85/87 Interchange Project were the highlights of last year's highway projects. The 101 Widening Project has relieved one of the worst traffic bottlenecks in the region—the stretch from just north of Morgan Hill to San José. The City and the VTA continue efforts to complete the widening of I-880 (from North First Street to Montague Expressway) and the Hwy 85/101 interchange projects, which are scheduled for completion in September 2003 and July 2004, respectively. Environmental clearance is expected in December 2003 for the Route 87 (Julian to 85) project. This project will address the roadway settlement issues along this segment of the freeway, construct the last segment of the High Occupancy Vehicle (HOV) system along Route 87 and construct improvements at the Hwy 280/Rt 87 interchange to address the weaving and merging problems. Construction is scheduled to begin in mid 2004 and is expected to last approximately two years.

Construction began on the Bailey Avenue/Route 101 Interchange project in North Coyote Valley in April 2003. When complete, the project will extend Bailey Avenue over Coyote Creek to a new interchange at Route 101. The VTA is managing construction of this \$17.4 million project, funded by the City, State, and VTA. The City's investment is being reimbursed by the major land owners in North Coyote Valley. Completion of this project is expected by November of 2004. The City has also secured a grant from the State that will allow Bailey Avenue to extend over the Union Pacific Railroad.



Tillman Traffic Circle

DOWNTOWN PARKING EXPANSION

A new 750-space parking facility opened in January 2003 at the corner of Fourth and San Fernando Streets. The new "Fourth Street Garage" parking facility is a seven-level garage with ground floor retail and a rooftop banquet center. The parking facility, part of the Parking Management Plan, will help accommodate parking needs for downtown San José. An additional 300 surface parking lot spaces have been created on the periphery of the downtown area. These surface parking lots provide discounted parking for downtown employees and residents in the area. An extensive analysis of on-street parking identified 140 additional on-street parking spaces in the downtown core. Utilizing less frequently used travel lanes and converting parallel parking spaces to diagonal parking spaces on selected streets created these new on-street parking spaces. The additional on-street parking provides the public with less expensive, convenient parking and will benefit downtown businesses.

ADVANCED TRAFFIC MANAGEMENT

In an effort to minimize traffic impacts at the Airport, due to security measures and expansion projects, an advanced traffic management system was launched in this year. The City installed 14 surveillance cameras and a changeable message sign on the perimeter of the Airport, enabling police and traffic engineers to monitor and manage traffic. Information displays installed in the baggage terminal area provide Airport travelers with parking information and up to date traffic conditions on freeways. An upgraded video system feeds Airport traffic video to the City's Emergency Operations Center, the Airport Response Center, and the downtown traffic signal management center.

BART TO SAN JOSE

The Department of Transportation is continuing to work with BART, Valley Transportation Authority (VTA), and neighboring cities to bring BART to San José. The proposed project, approved by voters in 2000, would begin south of the planned Warm Springs BART station in Fremont and extend 16.3 miles through downtown San José to Santa Clara near the Mineta San José International Airport. When completed, the extension will include seven stations and a new maintenance and storage yard in San José/Santa Clara. VTA began the environmental study in early 2002 that is scheduled for completion in 2004 when preliminary engineering is expected to start. Construction could begin as soon as 2006 with the target of trains carrying passengers starting in 2012.

FINANCIAL HIGHLIGHTS

The 2002-03 fiscal year marks the second consecutive year that City revenues were down, the result of a lingering, stagnant local economy. While the budget challenges facing San José both this year and next remain significant, our efforts to control costs allowed us to continue most City services undiminished, even as revenues continued to decline more sharply and for a longer duration than anyone anticipated.

This past year, General Fund revenues, the dollars that fund most city services, were down by \$17.2 million, or 2.6% from the prior year that was itself weak. City revenues that are most economically sensitive—Sales Tax, Transient Occupancy Tax (paid by visitors staying in hotels) were affected the most. Business-driven taxes such as Telephone Utility and Commercial Solid Waste fees were also lower, as were revenues from Fire and Public Works building inspection fees.

The General Fund was balanced through an aggressive strategy to contain costs, combined with budget reductions and careful use of one-time revenues and reserves. On the cost side of the equation, the hiring freeze begun in late 2001 continued throughout the 2002-2003 fiscal year. Additional mid-year budget reductions throughout all City departments saved a total of another \$7.6 million in the General Fund. On the revenue side, receipts were monitored closely and reported to Council on a monthly basis, and recommendations to adjust estimates downward were approved in October and February, along with strategies to rebalance the budget.

The soundness of the City's approach to reduced revenues was reflected in our ability to maintain a strong financial position during these difficult

times. San José continues to receive high General Credit Ratings from the three major credit rating agencies. In August and September 2003, the City received a rating of "AA+" from both Standard and Poor's and Fitch, and an "Aa1" rating from Moody's. These ratings reflect a stable outlook with the expectations that the City's economy will eventually rebound from the recessionary period.

This sound financial planning has allowed us to continue responding to the needs of our community. Public safety, parks, community centers, libraries and transportation services continue to be priorities and are supported by the City's General Fund expenditures of \$720 million. Improvements to Mineta San José International Airport, storm sewer and sanitary systems, water pollution control plant, municipal water system, transportation and street projects are supported by the City's Special Purpose Funds and continue to move forward. While we have successfully managed through a second year in this weak fiscal environment, and ended the year in a solid financial position, there has nevertheless been a cost. Due to both the specific budget reductions and the cost controls imposed, there has been an undeniable erosion of services in a number of areas.

In the year ahead, we will continue our commitment to the core priorities set forth by the City Council despite our diminishing resources. The City of San José is an organization characterized by strategic thinking, creativity and innovation in the best tradition of Silicon Valley. We will continue to be a leader in customer service by developing and maintaining our partnerships with the community and private organizations to solve these budget problems at a local and regional level.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

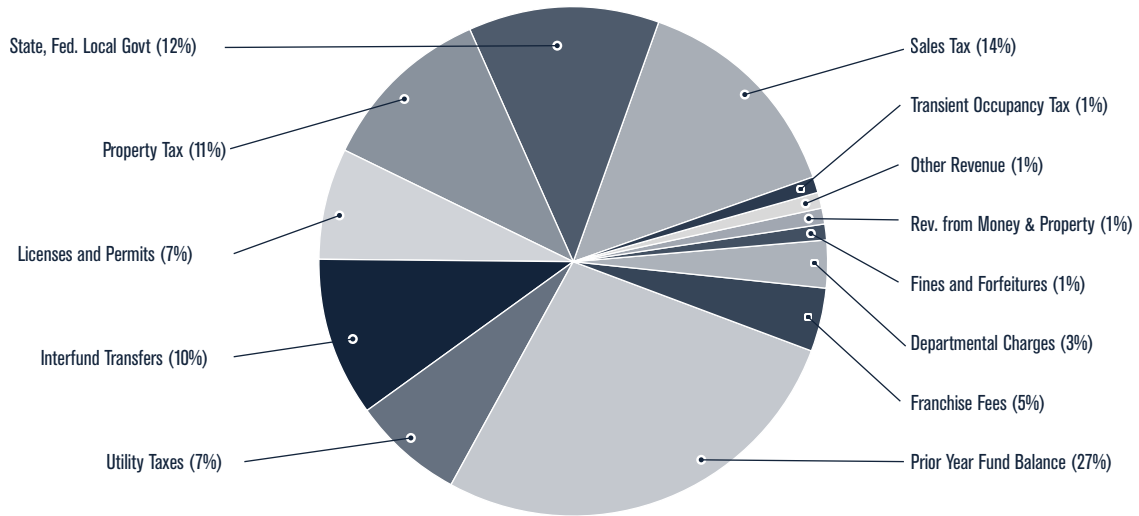
Awarded to the City of San José for the 15th consecutive year by the Government Finance Officers Association (GFOA) of the United States and Canada for our Comprehensive Annual Financial Report

AWARD FOR OUTSTANDING FINANCIAL REPORTING

Issued to the City of San José for the 9th consecutive year by the California Society of Municipal Finance Officers for our Comprehensive Annual Financial Report

SOURCE OF FUNDS

GENERAL FUND REVENUES, 2002-03



SOURCE OF FUNDS, ALL CITY FUNDS

GENERAL FUND

Property Tax	\$ 93,592,099
Sales Tax	127,456,727
Transient Occupancy Tax	5,800,000
Franchise Fees	32,092,363
Utility Taxes	65,784,892
Licenses and Permits	61,406,732
Fines and Forfeitures	12,253,993
Revenues from Money and Property	11,974,835
Revenues from Local Agencies	43,008,504
Revenues from State Government	60,808,075
Revenues from Federal Government	2,290,812
Departmental Charges	22,844,760
Other Revenue	11,864,674
Prior Year Fund Balance	236,060,478
Transfers and Reimbursements	92,335,630
Total General Fund	\$ 879,574,574

ENTERPRISE FUNDS

Airport	\$ 361,449,718
Parking	27,874,568
Waste Water Treatment Plant	230,766,068
Municipal Water	25,088,789
Total Enterprise Funds	\$ 645,179,143

SPECIAL REVENUE FUNDS

Internal Services	\$ 84,399,123
Anti-Tobacco Master Settlement Agreement Rev Fund	31,380,367
Community Development Block Grant Fund	26,381,342
Conventions and Cultural Affairs Fund	21,187,321
Gas Tax	17,463,730
Housing	157,520,127
Integrated Waste Management Fund	74,440,682
Library Benefit Assessment District Fund	8,088,743
Special Assessments	9,986,274
Storm Sewer Operating Fund	17,056,680
Transient Occupancy Tax Fund	10,575,506
Other	58,490,411
Total Special Revenue Funds	\$ 516,970,306

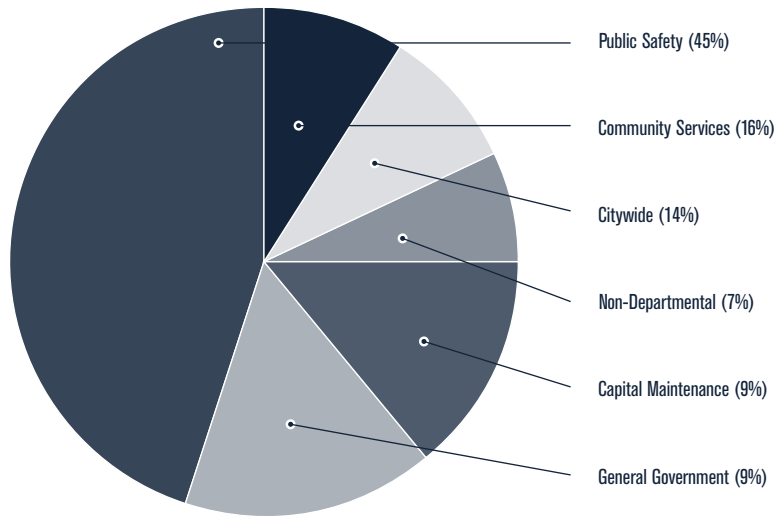
CAPITAL IMPROVEMENT PROGRAM FUNDS

Fund Balances	\$ 748,006,153
Sale of Bonds	391,668,866
Fees and Charges	60,554,433
Revenue from Other Government Agencies	42,657,674
Contributions, Loans, & Transfers	102,646,120
Interest Income	24,675,076
Other	48,157,597
Total Capital Improvement Program Funds	\$ 1,418,365,919

Total Source of Funds (Gross)	\$ 3,460,089,942
Less Interfund Transfers	\$ 425,881,486
Total Source of Funds (Net)	\$ 3,034,208,456

USE OF FUNDS

GENERAL FUND USES, 2002-03



USE OF FUNDS, GENERAL FUND EXPENDITURES

GENERAL GOVERNMENT

Mayor and City Council	\$ 6,143,002
Manager	6,420,450
Emergency Services	352,229
Equality Assurance	(4,588)
Economic Development	1,828,620
Attorney	10,400,381
Auditor	2,226,313
Independent Police Auditor	628,817
Clerk	1,615,209
Redevelopment Agency	1,792,762
Finance	7,884,784
Employee Services	6,987,521
Information Technology	15,593,534
Encumbrances	2,777,390
Total	\$ 64,646,424

PUBLIC SAFETY

Fire	\$ 110,475,005
Police	213,270,363
Encumbrances	2,240,643
Total	\$ 325,986,011

CAPITAL MAINTENANCE

General Services	\$ 21,432,907
Public Works	7,938,574
Streets and Traffic	34,069,242
Encumbrances	1,952,316
Total	\$ 65,393,039

COMMUNITY SERVICES

Environmental Services	\$ 1,419,832
Library	22,416,327
Planning, Building and Code Enforcement	29,116,065
Conventions, Arts and Entertainment	2,382
Parks, Recreation and Neighborhood Services	59,836,311
Encumbrances	3,059,733
Total	\$ 115,850,650

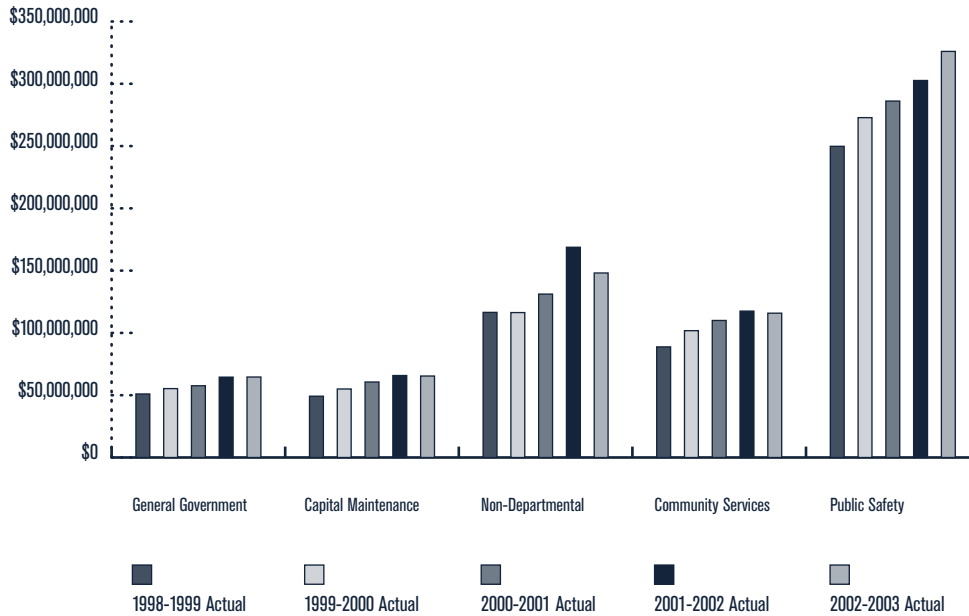
CITYWIDE

City-Wide Expenses	\$ 90,031,606
Capital Projects	35,461,795
Transfers to Other Funds	6,467,389
Encumbrances	16,164,883
Total	148,125,673

Total General Fund Expenditures \$ 720,001,797

USE OF FUNDS, CONT.

5-YEAR COMPARISON OF GENERAL FUND USES, CITY OF SAN JOSE



USE OF FUNDS, NON-GENERAL FUND

ENTERPRISE FUNDS

Airport	\$ 307,188,775
Parking	9,041,937
Waste Water Treatment Plant	164,450,467
Municipal Water	17,201,820
Total Enterprise Funds	\$ 497,882,999

SPECIAL REVENUE FUNDS

Internal Services	\$ 71,588,918
Community Development Block Grant Fund	16,884,049
Conventions and Cultural Affairs Fund	18,081,105
Gas Tax	17,463,730
Housing	148,301,789
Integrated Waste Management Fund	67,330,071
Library Benefit Assessment District Fund	6,456,460
Special Assessments	3,160,751
Storm Sewer Operating Fund	13,661,319
Transient Occupancy Tax Fund	9,269,076
Other	60,979,551
Total Special Revenue Funds	\$ 433,176,819

CAPITAL IMPROVEMENT PROGRAM FUNDS

Airport	\$ 144,605,895
Civic Center	207,490,523
Parks	86,152,583
Sanitary Sewers	32,193,009
Traffic	80,339,480
Water Pollution Control Plant	76,219,824
Others	85,355,484
Total Capital Improvement Program Funds	\$ 712,356,798

Total Use of Funds (Gross)	\$ 2,363,418,413
Less Contribution & Interfund Transfers	\$ 425,881,486
Total Use of Funds (Net)	\$ 1,937,536,927

ROSTER OF CITY OFFICIALS

MAYOR & CITY COUNCIL

Ron Gonzales	Mayor
Linda J. LeZotte	District 1
Forrest Williams	District 2
Cindy Chavez	District 3
Chuck Reed	District 4
Nora Campos	District 5
Ken Yeager	District 6
Terry Gregory	District 7
David Cortese	District 8
Judy Chirco	District 9
Vice Mayor Pat Dando	District 10

COUNCIL APPOINTEES

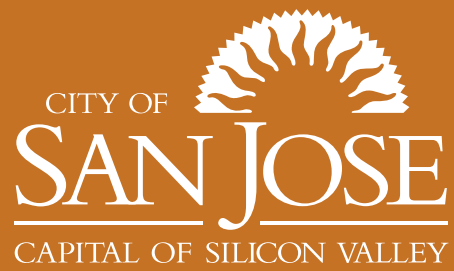
Del D. Borgsdorf	City Manager
Richard Doyle	City Attorney
Teresa Guerrero-Daley	Independent Police Auditor
Pat O'Hearn	City Clerk
Susan Shick	Redevelopment Agency Executive Director
Gerald Silva	City Auditor

CITY MANAGER'S OFFICE

Del D. Borgsdorf	City Manager
Mark Linder	Assistant City Manager
Jim Holgersson	Deputy City Manager
Terry Roberts	Deputy City Manager
Ed Shikada	Deputy City Manager
Kay Winer	Deputy City Manager
Tom Manheim	Public Outreach Manager
Deanna Santana	Council Liaison
Peter Jensen	Assistant to the City Manager
Betsy Shotwell	Intergovernmental Relations
Dottie Disher	Customer Service Manager

SENIOR STAFF

Ralph Tonseth	Airport Director
Larry Lisenbee	Budget Office Director
Jim McBride	Convention, Arts & Entertainment Acting Director
Paul Krutko	Economic Development Director
Frannie Winslow	Emergency Services Director
Alex Gurza	Employee Relations Director
Mark Danaj	Employee Services Director
Carl Mosher	Environmental Services Director
Scott Johnson	Finance Director
Dale Foster	Fire Department, Acting Fire Chief
Jose Obregon	General Services Director
Leslye Corsiglia	Housing Director
Wandzia Grycz	Information Technology, Chief Information Officer
Jane Light	Library, City Librarian
Sara Hensley	Parks, Recreation & Neighborhood Services Director
Stephen M. Haase	Planning, Building & Code Enforcement Director
William Lansdowne	Police Department, Chief of Police
Katy Allen	Public Works Director
Ed Overton	Retirement Director
Jim Helmer	Transportation Director



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